



National Audit Office

Diversity Annual Report 2012-13

Our vision is to help the nation spend wisely.

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The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.

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Introduction by the C&AG

Our strategy aims to deliver a step change increase in the value we add through our work; an ambitious goal in an age of austerity when both we and our clients are striving to achieve more with less. Success will require the positive engagement of all our people and our diversity strategy is designed to ensure that we attract, develop and promote the best talent by removing any real or perceived barriers to progression.

This is the first annual report against our three year diversity strategy 2012-13 to 2014-15 which was launched in April 2012. We want to build on the progress we have made in previous years but must increase the pace of change in key areas where we have achieved less success. The key priorities include improving the retention and progression of ethnic minority staff and the higher representation of women in our more senior grades. These priorities sit within a broader action plan which is relevant to all staff groups.

The past year has been one of action, putting in place a range of initiatives including: an ethnic minority mentoring scheme; more proactive management of our talent pipeline; unconscious bias training delivered to all staff; and the launch of our new appraisal scheme which was in part prompted by our concerns about the previous scheme. Most of these initiatives inevitably take time to bear fruit and, combined with a freeze on recruitment and limited opportunities for promotion in 2012/13, probably explain the limited progress we have made towards our achieving our diversity targets.

Our Board and Leadership Team attach a high priority to making further progress against our diversity strategy and we will redouble our efforts to make progress this year. Ensuring we keep diversity at the forefront of our agenda has become even more important following the results of the 2013 staff survey which highlighted a number of concerns relating to diversity and equality of opportunity. We will ensure we analyse the survey results fully to understand the issues and, where appropriate, take action to meet our diversity commitments.

The Diversity Delivery Board which helps maintain our focus, is chaired by Gaby Cohen, a member of the Leadership Team and NAO Board, and includes a broad representation of staff from across the Office. The Diversity Delivery Board will continue to oversee the delivery of our new strategy reporting regularly on progress to the Leadership Team. Amyas Morse Comptroller and Auditor General

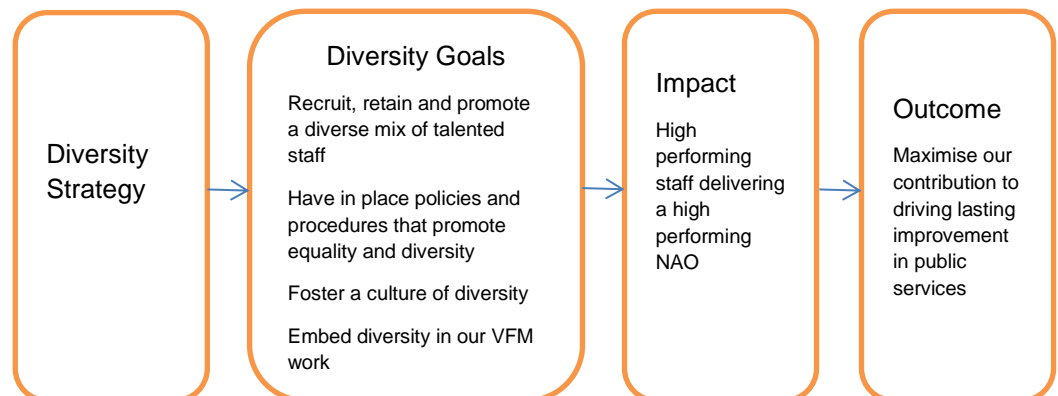
October 2013

Our diversity goals 2012 to 2014

Diversity makes good business sense to the NAO. To achieve our ambitious strategy we need high performing staff, drawn from as diverse and wide a talent pool as possible who work collaboratively together. Public services are delivered to a diverse society and we should, therefore, reflect diversity considerations in our value-for-money work where this will help our clients improve their services. As a public body we also have a legal obligation to eliminate unlawful discrimination and promote equality and good relations in our own organisation.

Our current diversity strategy was launched in April 2012 and sets out our ambitious diversity objectives, targets and supporting actions for the period 2012-13 to 2014-15. This strategy aims to build on the progress we have already made as a result of our longer-term commitment to diversity, but also to increase the pace of change in key areas where we have seen less success - particularly the retention and progression of more ethnic minority colleagues and women to our senior grades.

The diagram below sets out how our diversity goals support our success.



This report summarises progress over the first year of the current strategy (April 2012 to March 2013) and highlights where further progress is needed. As part of our public sector equality duty we are also required to publish equality information to help identify equality issues. This is published in our separate 'Equality Information' report.

Progress in 2012-13

Goal: Recruit, retain and promote a diverse mix of talented staff

We have:-

- Worked with specialist agencies, including City Brokerage and the Afro-Caribbean Society, to encourage a diverse pool of potential Trainee recruits to consider the NAO as an employer of choice. Unfortunately there is no direct evidence that this has resulted in any immediate applications being made to us (or to the other employers who have been involved);
- Continued to support the summer internship programme for undergraduates with a disability or from ethnic minorities to help identify potential Trainee recruits. In 2012 we employed 8 interns and 3 of these will be joining us as Trainees in the summer. Given this success we will expand the scheme to include 12 interns in 2013;
- Recruited a diverse intake of Graduate Trainees which included 43% women (43% in 2011-12) and 25% ethnic minorities (13% in 2011-12);
- Completed a survey of ethnic minority staff to better understand their career aspirations and identify what actions the NAO should take to enhance retention and career development. The results were considered by the Leadership Team and have informed the development of the mentoring scheme and our related training;
- Worked with line Directors to identify staff with potential to progress to Manager and Director and to more proactively encourage these staff - including ethnic minorities - to apply to join our talent management programmes. As a result two ethnic minority colleagues joined our Future Leaders programme (to Manager), which was as many as in the previous four years combined; and
- Launched an ethnic minority mentoring scheme to support career development. Some 21 ethnic minority staff have joined the scheme..

Goal 2 - Ensure our policies and procedures promote equality and diversity

We have:-

- Launched a revised performance management and appraisal scheme for the

2013 appraisal year. Our staff diversity network groups were consulted during the development of the scheme;

- Refreshed the equality impact assessment process for assessing corporate policies and applied this to a review of changes to some staff benefits and other developments; and
- Continued to provide expertise from the corporate centre to put in place reasonable adjustments and to ensure accessibility for staff with disabilities. In 2012-13 twelve permanent reasonable adjustments were put in place along with a number of temporary adjustments.

Goal 3 - Promote the further development of a culture of diversity

We have:-

- Continued to oversee progress against our diversity strategy through the Diversity Delivery Board, Chaired by Gaby Cohen, a member of the NAO Board and Leadership Team. Members include staff drawn from across the Office;
- Members of the Leadership Team have committed to sponsor particular aspects of diversity including the Ethnic Minority network and disAbility network groups;
- Delivered 'Unconscious bias' workshops to all staff (44 workshops were delivered to 890 staff) in both our London and Newcastle locations. These workshops addressed issues of relevance to the NAO and were rated positively by 96% of participants;
- Identified and retained an external diversity expert to challenge and advise us regarding our approach to diversity and inclusion;
- Retained a Top 100 place in the Stonewall workplace equality index. Although below our previous placing our inclusion demonstrates our progress as a supportive and inclusive employer for relevant sexuality groups. We are committed to repeating the exercise again in 2014 and will be working closely with the network to ensure that we maintain our position within the top 100; and
- Achieved a Top 10 place amongst public sector employers in the Race for Opportunity index. This assessment has helped identify further areas for improvement in 2013 and we are now awaiting the results of this years submission.
- Following improvements in the percentage of staff agreeing that the NAO respects individual differences this trend was reversed in the results of the 2013 staff survey. Responses to the survey also raised some wider concerns regarding diversity at the NAO and we are undertaking detailed analysis of the results and, where required, working closely with staff and diversity networks to

take actions to further develop our culture of diversity and inclusion.

Goal 4 - Further embed diversity in our audit work

We have:-

- Encouraged value-for-money audit teams to actively consider diversity in the study process by refreshing and launching the diversity guide for audit teams and introducing a more robust 'diversity check' to inform the study process.

Impact of diversity and equality information

Details of our diversity-related initiatives in 2012-13 are summarised on pages 6 and 7. In order to give a full picture of progress over the year the table below provides details of actions or decisions we have taken which were informed by our diversity and equality information, consistent with the public sector equality duty.

Links between equality information and decisions/ action

EQUALITY INFORMATION

In 2011-12 only 13% of graduate recruits were from ethnic minorities (this increased to 25% in 2012) and the pass rate on the new numerical test was lower for ethnic minorities than for white applicants

The representation of ethnic minorities in our most senior grades (Director and above) has remained consistently low over time

Ethnic minority staff have consistently received fewer 'A' ratings in annual appraisals than white staff (33.1% and 39.4% respectively in 2011 and 27.9% and 39.9% respectively in 2012)

ACTION

Introduced an on-line practice test which potential applicants can complete before the numerical test. Research shows that practice tests can be particularly beneficial for ethnic minorities.

Validated the numerical test against performance in professional exams and confirmed that the test does help predict exam performance.

Developed links with City Brokerage and the Afro-Caribbean Society to encourage Trainee applications from ethnic minorities.

Completed a survey of ethnic minority staff to better understand their views about career progression.

Launched an ethnic minority mentoring scheme with 21 participants.

Introduced more active management of the ethnic minority 'talent pipeline' by identifying and encouraging staff with potential to apply for our talent management programmes. In 2012, 2 ethnic minority colleagues gained places on our Future Leaders programme (to Manager).

Applied robust moderation and introduced a quality assurance process to ensure objectivity and fairness.

Reviewed our appraisal scheme and launched a revised process for the 2013 appraisal year.

Delivered 'unconscious bias' training to all staff

Completed detailed equality impact assessments on policy changes

We have completed a number of equality impact assessments on key initiatives. Whilst our initial assessment of our change to long term sick pay did not highlight particular concerns, we have agreed to complete a further review on the specific impact on staff with disabilities two years following the implementation of these changes to enable more data to be gathered .

Equality information about staff which we hold on our HR information system is incomplete. Whilst we have complete data on gender, ethnicity and age, we have data on other protected characteristics for only around a third of staff

Developed a more robust 'reasonable adjustments guide' which we are preparing for launch. This will encourage more staff with disabilities to self-declare and provide a better link to sources of support.

How are we doing?

KEY FIGURES

	2004-05	2011-12	2012-13	Target by 2014-15
Women as % of the workforce	43%	43%	43%	No target
Ethnic minorities as % of the workforce	13.7%	16%	15.4%	No target
% Grad Trainees from ethnic minorities	29%	13%	25%	22% (3 year average)
% Grad Trainees who are women	38%	43%	43%	40% (3 year average)
% Women Managers (AM & B1)	30%	37%	36%	40%
% Ethnic Minority Audit Managers	3.8%	6.2%	6%	Year on year increase
% Women Directors and above	27%	27.4%	31%	34%
% Ethnic Minority Directors	3%	5.3%	7%	Year on year increase
% staff declaring a disability	1.2%	6%	7%	6%-8%
% BME staff achieving 'A' appraisal rating	30%	33.1%	27.9%	No difference between % BME and % white achieving 'A'
% white staff achieving 'A' appraisal rating	37%	39.4	39.9%	No difference between % BME and % white achieving 'A'

To give a fuller picture of our position and progress we should also consider the following points alongside the figures on page 11:-

- We have an ambitious diversity strategy and an active diversity programme led by a member of the NAO Leadership Team and Board. Progress against this strategy is overseen by the Diversity Delivery Board which is made up of staff drawn from across the Office and grades.
- Our policies and procedures are compliant with legislation and we have demonstrated our commitment to the Public Sector Equality Duty.
- This is the first year of our new strategy which places a particular emphasis on the retention and progression of ethnic minority staff to more senior posts. There has been a small in-year increase in the proportion of Directors from ethnic minorities and we have introduced other initiatives, including an ethnic minority mentoring scheme and more active management of our talent pipeline, as a platform for further progress.
- We will continue to pursue our aim of achieving a more diverse workforce at senior levels but as a result of our resourcing position the volume of promotions and level of external recruitment was low in 2012-13.. We will also be operating with lower staff numbers in 2013/14, following the implementation of the Transformation Programme, which may limit the amount of progress we are able to make next year.
- There continues to be a difference in the annual performance ratings of white staff and ethnic minority staff, with white staff more likely to receive the highest rating. We have taken steps to address this going forward by rolling out unconscious bias training to all staff and by launching a new appraisal scheme for 2013 which includes a greater emphasis on objective setting and on-going review.
- From the 2010 and 2011 staff surveys 65% of staff agreed that the NAO respects individual differences. This increased to 68% in 2012 but dropped to 58% in 2013. Given this decrease we will be undertaking further analysis of the results to understand concerns and will take action where appropriate to continue to develop a culture of diversity and inclusion.

- Consistent with previous years the results of the 2012 equal pay audit showed that whilst there were some differences in pay between men and women (with men overall receiving higher pay) this did not reflect structural inequality in our pay scheme but was due to other factors such as grade seniority and length of service. The overall pay gap between men and women in the NAO reduced to 7.9% compared to 14.7% nationally.

We will achieve further progress

During the first year of our diversity strategy 2012-14 we have made progress against the action plan, setting in place initiatives which will help us achieve a more diverse workforce going forward - such as the ethnic minority mentoring scheme, unconscious bias training, and more proactive management of our talent pipeline. But we must address the following key priorities over the remainder of the period covered by the strategy if we are to drive further progress and realise the business benefits:-

- Secure further progress on increasing the representation of ethnic minorities and women in our more senior grades at a time when we are also reducing our overall staffing numbers;
- Continue to drive progress against initiatives which are already underway - such as our ethnic minority mentoring scheme and active management of our talent pipeline to encourage staff from ethnic minorities to apply for our talent programmes and for promotion opportunities as they arise;
- Address the areas for further improvement which have already been identified through the Stonewall and Race for Opportunity benchmarking exercises;
 - Complete a diversity audit of our staff allocation system to ensure that no particular groups are less likely to be allocated or utilised. This will be timely as we move towards a new staffing structure under the clusters;
 - Promote greater engagement in diversity through an active diversity communications programme, including a range of relevant diversity events;
- Monitor the impact of our new appraisal scheme on different groups and achieve clear progress in reducing the differences between the White and BME staff groups; and
- Launch our updated 'Reasonable Adjustments Guide' and deliver a wider campaign to maximise the completeness of staff diversity data, including all protected characteristics.
- Fully understand the results of the 2013 staff survey in respect to diversity and take action to ensure that the NAO remains a fully inclusive and diverse employer.

The Table on the next page shows how our diversity targets in the new strategy (2012-13 to 2014-15) compare to the targets in the previous strategy (2009-10 to 2011-12). This highlights our ambition going forward and the key areas where we are determined to see change.

Diversity targets from the previous and the new strategy

Staff group/diversity issue	Target 2009-10 to 2011-12	Target 2012-13 to 2014-15
Graduate trainees - ethnic minority	20% by 2011	Average at least 22% over the 2012 to 2014 period
Graduate trainees - women	Above 39% by 2011	Average at least 40% over the 2012 to 2014 period
Profile of staff passing TOPPs training scheme	Similar pass rate for all ethnic groups	Similar pass rate for all ethnic groups
Directors - ethnic minority	7%	Year on year increase in number
Audit Managers - ethnic minority	6%	Year on year increase in number
Directors - women	34%	At least 34%
Managers - women	34% (Audit Managers)	40% (Audit managers and corporate service managers)
Staff with a disability	6% to 8%	6.5% to 8%
Completeness of diversity data	No target	Complete data on all 9 diversity strands for at least 70% of staff
Difference between ethnic groups in appraisal ratings	No target	Eliminate differences between ethnic groups
Staff utilisation	No target	No group will be less allocated or have access to lower quality work than other groups
Staff perception	More staff (than in 2006) will agree that the NAO values diversity	Year on year improvement in staff perceptions (staff survey)
Position in Stonewall index	No target	Maintain top 50 position
VFM studies	Teams will consider diversity and some studies will include diversity theme	Teams will consider diversity and some studies will include diversity theme

The Diversity Delivery Board will continue to oversee progress against the strategy and will keep the Leadership Team and NAO Board informed of progress. Our diversity strategy, along with progress reports and equality information, will be published on our web-site.